

SBA NEWS RELEASE

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SBA DETAILS NEW CERTIFICATION PROCESS FOR SMALL DISADVANTAGED BUSINESSES

WASHINGTON -- The U.S. Small Business Administration (SBA) today announced details of its new program to certify firms as small disadvantaged businesses (SDBs).

The certification process is an important part of President Clinton's mandate to "mend, not end" affirmative action programs. SBA and other Clinton Administration officials discussed the program today during an interactive teleconference broadcast via satellite to over 80 cities.

"The SBA's new certification service will help small disadvantaged companies grow and develop by participating in a marketplace worth about \$200 billion," said SBA Administrator Aida Alvarez.

Last summer, the Clinton Administration announced several reforms of federal procurement programs designed to expand economic opportunity for disadvantaged businesses. The reforms comply with the U.S. Supreme Court decision in *Adarand Constructors, Inc. v. Peña*, which said affirmative action programs must be narrowly targeted to remedy only the lingering effects of discrimination.

The new certification process will categorize a small business as “disadvantaged” only if an SBA review finds the firm is owned and controlled by someone who is socially and economically disadvantaged. (Companies participating in SBA’s 8(a) Business Development program are already considered SDBs and won’t undergo a second review.)

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The new system is expected to reduce costs, prevent fraud and abuse and ensure that the program is administered fairly.

The revised federal rules will also make it easier for business owners who aren’t members of minority groups to become SDBs by demonstrating their disadvantage. In the past, the government relied on each company to “self-certify” or to truthfully identify itself as disadvantaged.

The SBA’s Office of Small Disadvantaged Business Certification and Eligibility will:

- certify the ownership and control of all small companies that apply;
- decide protests and appeals;
- establish and oversee a nationwide network of private certifiers who will help SBA process applications; and,
- maintain a public on-line registry of certified SDBs for access by contracting officers and the general public.

SBA officials plan to offer more information and training on the process during a 12-city tour beginning in October.

“The SBA has developed a certification process designed to treat small companies equitably and give them an efficient first step into the federal procurement arena,” said

Richard Hayes, SBA's Associate Deputy Administrator for Government Contracting and 8(a) Business Development.

Once an SDB is certified and listed on the public registry, it will be eligible for preferences under new federal procurement regulations. The main preference is a "price evaluation adjustment" of up to ten percent for SDBs bidding as prime contractors. The price adjustment means an SDB won't have to be the lowest bidder to win a contract award. The rules also provide a system of preferences for large businesses that use SDBs as subcontractors.

The preferences will apply only to those industries in which disadvantaged companies are underutilized according to Department of Commerce studies. Those studies will rely on a research system known as benchmarking which determines whether SDBs are full participants in each industry's marketplace. Industry "benchmarks" will be adjusted periodically to reflect the latest procurement data.

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The price preference for some federal contracts goes into effect on October 1, and other preferences begin on January 1, 1999. Applications are available at SBA district offices nationwide or by calling the Office of Small Disadvantaged Business Certification and Eligibility at 1(800) 558-0884.

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The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. The SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 23 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.

